

Tools To Revitalize California Communities

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Mission of the California Debt and Investment Advisory Commission....

“To improve the practice of public finance in California by providing responsive and reliable information, education and advice.”

How does CDIAC meet this mission?

CDIAC:

- **Serves as California's statistical clearinghouse for public debt issuance data**
- **Publishes a monthly newsletter on topical debt and investment matters**
- **Produces timely and pertinent policy research reports and issue briefs**

CDIAC's mission continued.....

- **Conducts ongoing educational programs for state and local officials**
- **Responds to public finance-related inquiries**

CDIAC expands its focus to community economic development

- **Natural adjunct to monitoring the fiscal strength of California communities**
- **Focusing on the state's infrastructure needs**

Why this new educational series is important....

- **California communities must address infrastructure demands to support more than 5 million new jobs forecasted over the next 20 years, more than 12 million new residents, over 4 million new households, and upward of 2 million new school children.**

Importance of educational series continued....

- **Projected surge in jobs and populations places added stresses on already overburdened and deteriorating California physical infrastructure**
- **Communities must begin to consider infrastructure improvements**

How does a local government begin the process of community revitalization?

- **One important step is to learn about the financing tools that can be accessed through the State Treasurer's Office and other appropriate State of California programs**

What Programs are available to assist local government communities?

- **Industrial development bonds for business and job creation**
- **Pension Fund Investment Programs: CalPERS California Initiative and the Urban Real Estate Investment Program**

Economic Development Financing Tools continued....

- **Pollution Control Financing and Loan Programs: CalReuse and Grant Programs**
- **Health Facilities Financing and Loan Programs: Help II loan program**

Who is this economic development educational series targeting?

- **Communities that have the greatest demand for community re-building.**
- **Within these communities, local government officials, as well as economic development and finance staff.**

In addition to this conference, where will these workshops be held?

- **California State Association of County Auditors - April 25th**
- **League of California Cities - July 24-26**
- **The Bond Buyer - September 11**
- **International Economic Development Council - September 25**
- **California State Association of Counties - November 19**

To learn about future economic development programs

- **Access CDIAC's website at:**
www.treasurer.ca.gov/cdiac
- **E-mail CDIAC at: [cdiac @ treasurer.ca.gov](mailto:cdiac@treasurer.ca.gov)**
- **Call CDIAC at: (916) 653-3269**
- **Fax CDIAC at: (916) 654-7440**

CDIAC and CALED present....

**“Tools To Revitalize California
Communities”**

**Panelists’ focus will be
Improving Access to State
Financing Programs.**

Financing Participants:

Participants needed to successfully construct and market a new debt security:

- ◆ **Issuer:**

- **Entity under whose name the bonds are issued.**
- **The issuer may not always be the entity liable for the bonds.**
- **Often an authority functions as a conduit between a governmental unit and the investor.**

Financing Participants....

Legal Counsel Participants:

- ◆ **Issuer's Counsel (General Counsel):** An in-house or outside counsel who gives an opinion on the legality of an issuer's actions under applicable enabling statutes.
- ◆ **Bond Counsel:** Outside counsel to the issuer who gives an opinion on the tax-exempt status and validity of the bond issue. Bond Counsel serves for the benefit of the bondholders.

Financing Participants....

Legal Counsel Participants continued:

- ◆ **Disclosure Counsel:** Legal counsel hired by the underwriters to assist with disclosure issues. This role is usually fulfilled by the Underwriter's Counsel.
- ◆ **Underwriter's Counsel:** Legal counsel hired by the underwriters to assist in documentation, preparation of the official statement, and preparation of state securities filings (blue sky).

Financing Participants....

Syndicate Participants:

- ◆ **Senior Managing Underwriter:** The "book running" manager for a transaction. The Senior Manager works closely with the issuer and is responsible for developing a financial and marketing plan, preparing documents, and leading the syndicate.

Financing Participants....

Syndicate Participants continued:

- ◆ **Co-Senior Manager(s):** A firm that receives a special role in the financing apart from other Co-Managers and may be more closely involved in the financing. Generally receives a greater share of the fees and/or bonds.
- ◆ **Co-Managing Underwriters:** Other underwriting firms who are involved in the transaction. Usually their primary role is to assist in the marketing and sale of the bonds.

Financing Participants....

Syndicate Participants continued:

- **Selling Group Member** - Broker/Dealer firms who participate in the sale of an offering but have no liability for unsold bonds.

Financing Participants....

Consultant Participants:

- ◆ **Financial Advisor:** A firm that provides insight on matters pertaining to structure, timing, marketing, fairness of pricing, terms and bond ratings.
- ◆ **Feasibility Consultant:** A firm that provides opinion to the project's economic feasibility.

Financing Participants....

Administrative Participants:

- ◆ **Paying Agent:** A bank that handles payments of interest and principal to the bondholders.
- ◆ **Registrar:** The participant who maintains a listing of the owners of the bonds.
- ◆ **Trustee:** A fiduciary representative of bondholders in their relationship with the issuer.

Financing Participants....

Other Participants:

- ◆ **Bond Insurers:** A firm that enhances the security of a bond issue by offering a contractual obligation to make timely payments of principal and interest in the event the issuer fails to do so. Municipal bonds are insured by four major firms (MBIA, FGIC, AMBAC and FSA) and are generally rated Aaa/AAA by Standard & Poors, Moody's and Fitch. Letter of Credit Provider either Direct pay or Standby Provider.

California Initiative Program



A NEW PROGRAM IS BORN



In May 2001, the Investment Committee approved an initial allocation of \$475 million to 11 investment partners in a new investment vehicle called the **California Initiative Program**

Mission Statement

The California Initiative will **invest in traditionally underserved markets** primarily, but not exclusively, located in California. The objective is to discover and invest in opportunities that may have been bypassed or **not reviewed by other sources of investment capital**. These opportunities should **offer attractive risk-adjusted returns** commensurate with their asset class. While equity investments are a primary focus, synergistic investments involving real estate and/or debt will also be considered.

UNTAPPED ASSETS IN UNDERSERVED AREAS PROVIDE ATTRACTIVE INVESTMENT OPPORTUNITIES

Urban/Inner city



- Strategic location near business centers, transportation, etc.
- Large, diverse labor pool
- Attractive local consumer market demand
- Government incentives
- Favorable access to real estate

Rural



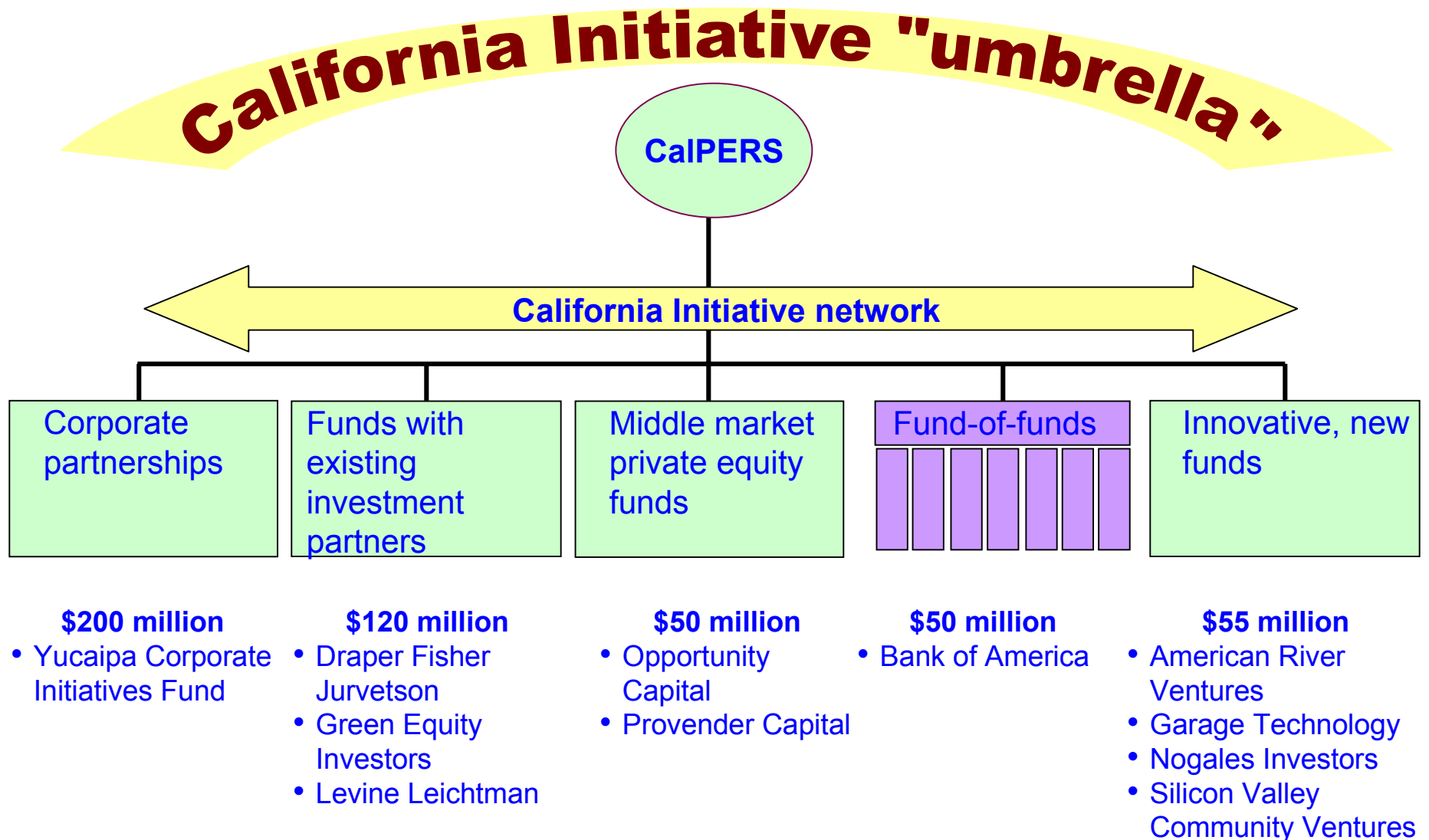
- Inexpensively priced land/office space
- Availability of full- and part-time, educated workers
- Lower cost of living environment
- Government incentives
- Recent technology and infrastructure developments that allow for convenient communication and access to information

Source: Michael Porter, "The Competitive Advantage of Inner Cities," HBR, 95310; "The Rise of the Urban Entrepreneur," *Inc.* magazine, May 15, 1995; company materials; interviews

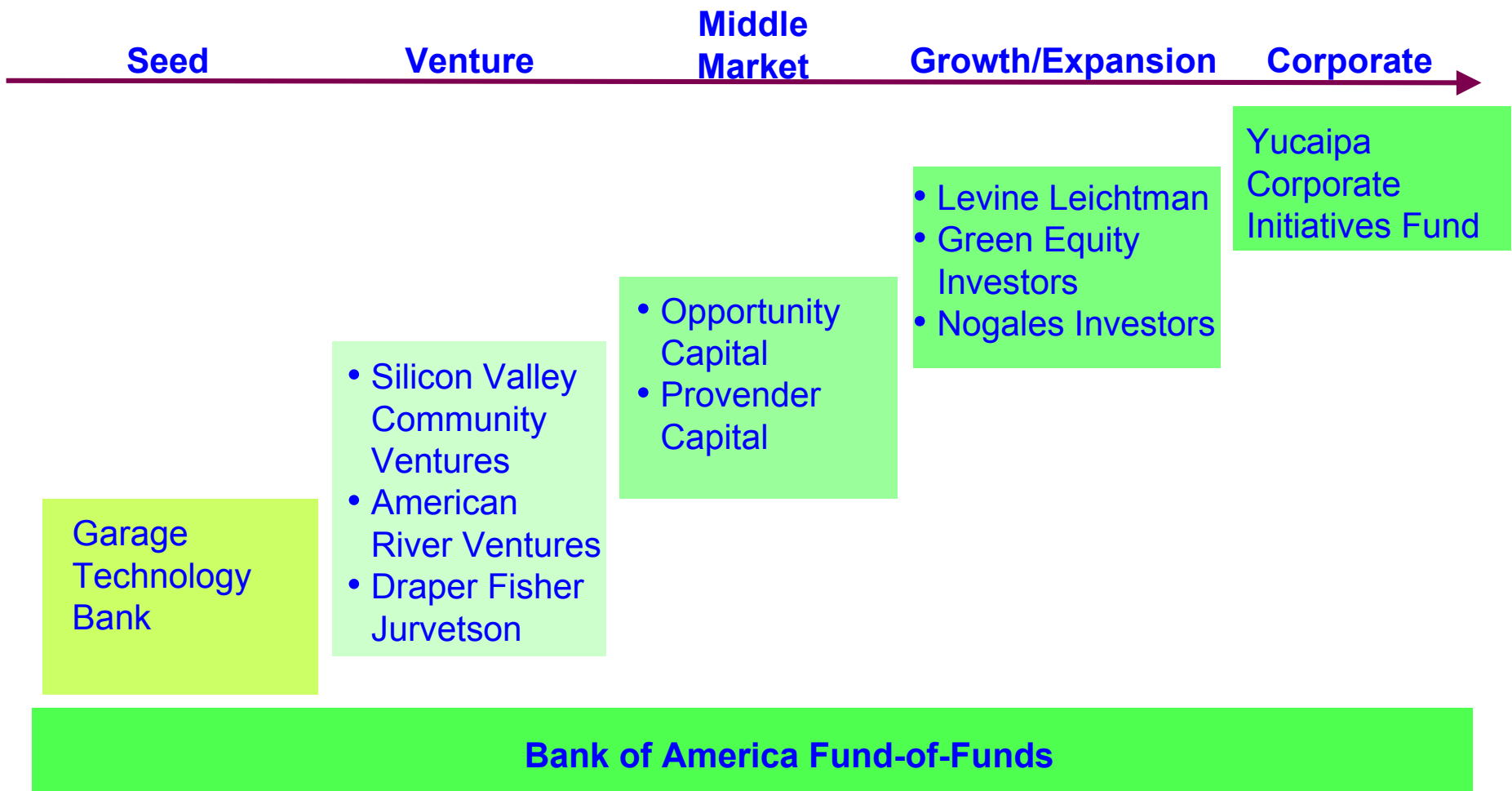
CALIFORNIA INITIATIVE WILL LEVERAGE A COMPREHENSIVE NETWORK



ELEVEN PARTNERS WILL IMPLEMENT THE CALIFORNIA INITIATIVE STRATEGY ACROSS A BROAD DIVERSIFIED OPPORTUNITY SPECTRUM



CA INITIATIVE PARTNERS SUPPORT COMPANIES IN EVERY STAGE OF THE GROWTH CYCLE



CA INITIATIVE INVESTMENT MANAGERS HAVE EXPOSURE IN NORTHERN, CENTRAL AND SOUTHERN CALIFORNIA

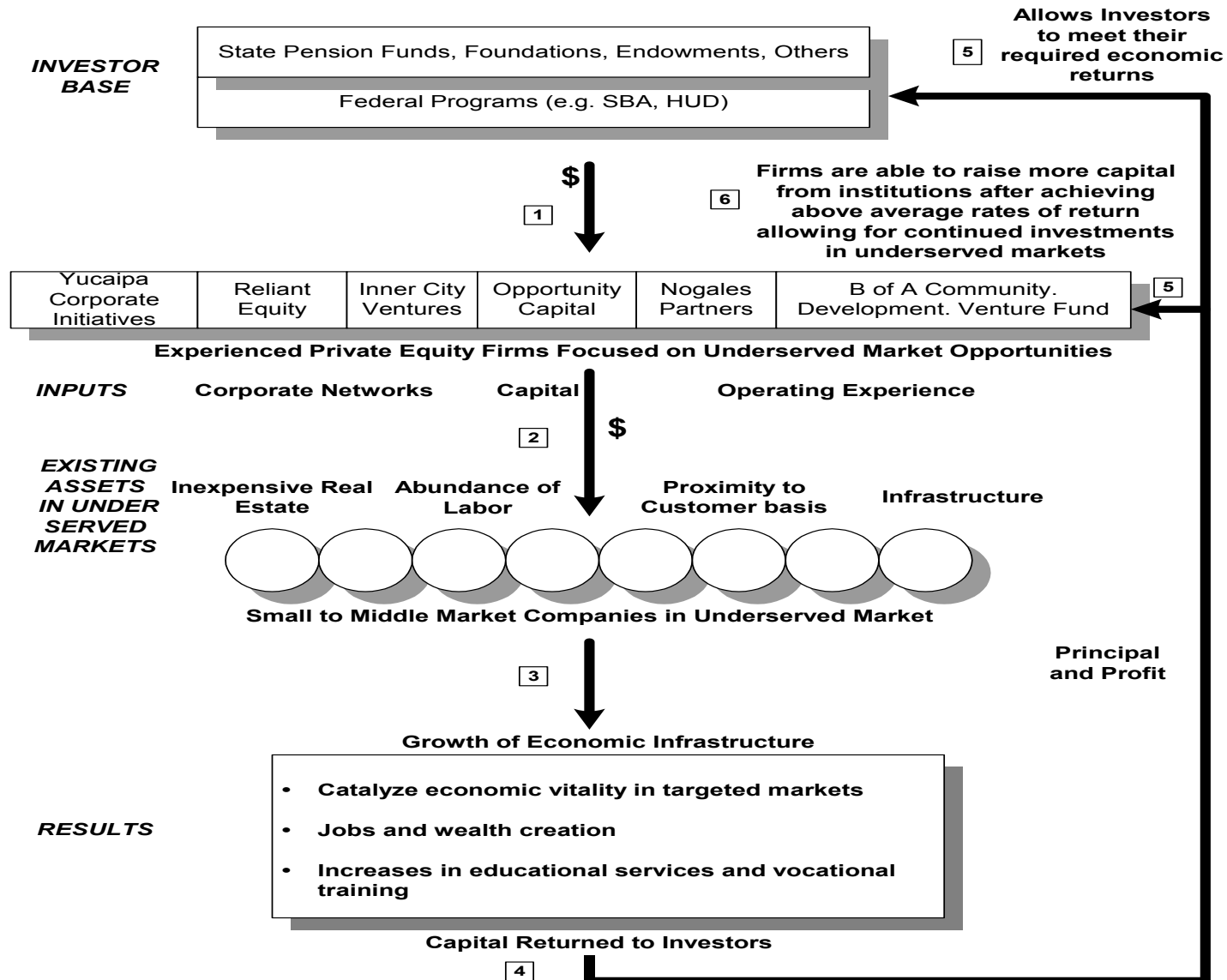


<u>Selected Managers</u>	<u>CA Office Locations</u>
American River Ventures	Sacramento
Bank of America*	SD, LA, SF
Draper Fisher Jurvetson	North Bay / Sacto
Nogales Investors	LA
Garage	Palo Alto
Green Equity Partners	LA
Levine Leichtman	LA, SF
Opportunity Capital	Fremont
Provender Capital	LA
Silicon Valley Community Ventures	SF
Yucaipa Companies	LA, SF



* Bank of America has a network of 960 banking centers in California, with two major regional offices in San Francisco and Los Angeles

The Deployment of Investment Capital in Underserved Markets



COMMITMENTS TO CALIFORNIA INITIATIVE PARTNERS

Partner	CI fund allocation \$ Millions	Investment focus
<i>American River Ventures, L.P.</i>	10	Venture capital in Sacramento and Central California
Bank of America 	50	Fund-of-funds targeting new California Initiative funds; will screen on-going opportunities
 Draper Fisher Jurvetson	20	Venture capital in under-represented regions of California such as the Central Valley, the Central Coast, and the East Bay
Nogales Investors	25	Growth/expansion investment opportunities
Garage Technology Bank	10	Leverages its entrepreneur network and education program to provide seed capital to start-ups

COMMITMENTS TO CALIFORNIA INITIATIVE PARTNERS

(CONTINUED)

Partner	CI fund allocation \$ Millions	Investment focus
 Green Equity Investors	50	Growth/expansion stage investment opportunities
<i>Levine Leichtman Capital Partners</i> 	50	Provides expansion capital to smaller, middle market companies
 Opportunity Capital	25	Invests in expansion / buyout capital in middle markets, primarily in Northern California
Provender Capital 	25	Focuses on urban-oriented and under-sponsored opportunities
	10	Provides business advisory services and capital to companies in economically challenged, underserved areas
 <i>Yucaipa Companies</i>	200	Seeks corporate partnerships to relocate or expand their operations in underserved areas